CU INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2023	Three Months Ended September 30 2022	Nine Months Ended September 30 2023	Nine Months Ended September 30 2022
Revenues	4	**601**	659	**2,148**	2,314
Costs and expenses					
Salaries, wages and benefits		**(51)**	(49)	**(154)**	(150)
Energy transmission and transportation		**(72)**	(68)	**(215)**	(201)
Plant and equipment maintenance		**(57)**	(52)	**(148)**	(121)
Fuel costs		**(2)**	(3)	**(9)**	(10)
Purchased power		**(14)**	(10)	**(43)**	(52)
Depreciation, amortization and impairment		**(141)**	(135)	**(431)**	(409)
Franchise fees		**(49)**	(55)	**(220)**	(244)
Property and other taxes		**(16)**	(17)	**(52)**	(51)
Other		**(60)**	(61)	**(194)**	(191)
		(462)	(450)	**(1,466)**	(1,429)
Operating profit		**139**	209	**682**	885
Interest income		**1**	1	**4**	3
Interest expense		**(92)**	(89)	**(271)**	(271)
Net finance costs		**(91)**	(88)	**(267)**	(268)
Earnings before income taxes		**48**	121	**415**	617
Income tax expense		**(12)**	(28)	**(93)**	(149)
Earnings for the period		**36**	93	**322**	468

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**2023**	**2022**	**2023**	**2022**
Earnings for the period	**36**	93	**322**	468
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits (1)	**8**	(3)	**4**	33
Comprehensive income for the period	**44**	90	**326**	501

(1) Net of income taxes of $(2) million and $(1) million for the three and nine months ended September 30, 2023 (2022 - $1 million and $(10) million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	September 30 2023	December 31 2022
ASSETS			
Current assets			
Cash		**22**	7
Accounts receivable and contract assets		**256**	531
Trade accounts receivable from parent and affiliate companies		**5**	6
Inventories		**23**	17
Prepaid expenses and other current assets		**47**	15
		353	576
Non-current assets			
Property, plant and equipment	5	**16,839**	16,533
Intangibles		**813**	755
Right-of-use assets		**17**	15
Investment in joint venture		**16**	17
Other assets		**50**	54
Total assets		**18,088**	17,950
LIABILITIES			
Current liabilities			
Bank indebtedness		**1**	–
Short-term advances from parent company		**9**	19
Accounts payable and accrued liabilities		**374**	588
Accounts payable to parent and affiliate companies		**25**	57
Lease liabilities		**1**	1
Provisions and other current liabilities	9	**2**	61
Long-term debt	6	**120**	100
		532	826
Non-current liabilities			
Deferred income tax liabilities		**1,755**	1,659
Retirement benefit obligations		**112**	115
Customer contributions		**1,977**	1,911
Lease liabilities		**15**	14
Other liabilities		**9**	11
Long-term debt	6	**8,604**	8,385
Total liabilities		**13,004**	12,921
EQUITY			
Equity preferred shares		**187**	187
Class A and Class B share owner's equity			
Class A and Class B shares		**1,056**	1,056
Retained earnings		**3,841**	3,786
		4,897	4,842
Total equity		**5,084**	5,029
Total liabilities and equity		**18,088**	17,950

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	**Note**	**Class A and Class B Shares**	**Equity Preferred Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
December 31, 2021		1,056	187	3,651	–	4,894
Earnings for the period		–	–	468	–	468
Other comprehensive income		–	–	–	33	33
Gains on retirement benefits transferred to retained earnings		–	–	33	(33)	–
Dividends	7,8	–	–	(351)	–	(351)
September 30, 2022		1,056	187	3,801	–	5,044
December 31, 2022		1,056	187	3,786	–	5,029
Earnings for the period		–	–	**322**	–	**322**
Other comprehensive income		–	–	–	**4**	**4**
Gains on retirement benefits transferred to retained earnings		–	–	**4**	**(4)**	–
Dividends	7,8	–	–	**(271)**	–	**(271)**
September 30, 2023		**1,056**	**187**	**3,841**	–	**5,084**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2023	Three Months Ended September 30 2022	Nine Months Ended September 30 2023	Nine Months Ended September 30 2022
Operating activities					
Earnings for the period		**36**	93	**322**	468
Adjustments to reconcile earnings to cash flows from operating activities	9	**250**	284	**843**	918
Changes in non-cash working capital		**35**	(19)	**(21)**	35
Cash flows from operating activities		**321**	358	**1,144**	1,421
Investing activities					
Additions to property, plant and equipment		**(249)**	(230)	**(694)**	(583)
Proceeds on disposal of property, plant and equipment		**–**	–	**1**	–
Additions to intangibles		**(35)**	(31)	**(89)**	(91)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	–	**–**	8
Changes in non-cash working capital		**(17)**	24	**(33)**	30
Other	5	**–**	1	**(2)**	59
Cash flows used in investing activities		**(301)**	(236)	**(817)**	(577)
Financing activities					
Net repayment of short-term debt		**–**	(216)	**–**	(187)
Issue of long-term debt	6	**340**	210	**340**	210
Repayment of long-term debt	6	**–**	–	**(100)**	(125)
Repayment of lease liabilities		**(1)**	–	**(1)**	(1)
Dividends paid on equity preferred shares	7	**(1)**	(1)	**(5)**	(5)
Dividends paid to Class A and Class B share owner	8	**(85)**	(111)	**(264)**	(346)
Interest paid		**(89)**	(85)	**(273)**	(270)
Other		**(2)**	(2)	**–**	(2)
Cash flows from (used in) financing activities		**162**	(205)	**(303)**	(726)
Increase (decrease) in cash position		**182**	(83)	**24**	118
Beginning of period		**(170)**	253	**(12)**	52
End of period	9	**12**	170	**12**	170

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2023

(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)

1. THE COMPANY AND ITS OPERATIONS

CU Inc. was incorporated under the laws of Canada and its debt and equity preferred shares are listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. The Company is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner, the Southern family.

CU Inc. is engaged in the following business activities:

- Electricity (electricity transmission and distribution); and
- Natural gas (natural gas transmission and distribution).

The unaudited interim consolidated financial statements include the accounts of CU Inc., its subsidiaries and a proportionate share of the Company's investment in joint venture. In these financial statements, "the Company" means CU Inc., its subsidiaries and joint venture.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit Committee, on behalf of the Board of Directors, on October 25, 2023.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations and the timing of utility rate decisions.

3. SEGMENTED INFORMATION

Results by operating segment for the three months ended September 30 are shown below.

2023 **2022**	**Electricity**	**Natural Gas**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues - external	**306**	**295**	**–**	**–**	**601**
	353	306	–	–	659
Revenues - intersegment	**2**	**–**	**–**	**(2)**	**–**
	1	1	–	(2)	–
Revenues	**308**	**295**	**–**	**(2)**	**601**
	354	307	–	(2)	659
Operating expenses [1]	**(131)**	**(192)**	**–**	**2**	**(321)**
	(123)	(194)	–	2	(315)
Depreciation and amortization	**(79)**	**(62)**	**–**	**–**	**(141)**
	(76)	(59)	–	–	(135)
Net finance costs	**(57)**	**(34)**	**–**	**–**	**(91)**
	(55)	(32)	(1)	–	(88)
Earnings (loss) before income taxes	**41**	**7**	**–**	**–**	**48**
	100	22	(1)	–	121
Income tax expense	**(10)**	**(2)**	**–**	**–**	**(12)**
	(23)	(5)	–	–	(28)
Earnings (loss) for the period	**31**	**5**	**–**	**–**	**36**
	77	17	(1)	–	93
Adjusted earnings (loss)	**83**	**(9)**	**–**	**–**	**74**
	81	6	(1)	–	86
Capital expenditures [3]	**156**	**133**	**–**	**–**	**289**
	136	129	–	–	265

Results by operating segment for the nine months ended September 30 are shown below.

2023 2022	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**1,022**	**1,126**	–	–	**2,148**
	1,099	1,215	–	–	2,314
Revenues - intersegment	**4**	–	–	**(4)**	–
	2	2	–	(4)	–
Revenues	**1,026**	**1,126**	–	**(4)**	**2,148**
	1,101	1,217	–	(4)	2,314
Operating expenses (1)	**(381)**	**(658)**	–	**4**	**(1,035)**
	(374)	(650)	–	4	(1,020)
Depreciation, amortization and impairment	**(246)**	**(185)**	–	–	**(431)**
	(233)	(176)	–	–	(409)
Net finance costs	**(167)**	**(99)**	**(1)**	–	**(267)**
	(166)	(99)	(3)	–	(268)
Earnings (loss) before income taxes	**232**	**184**	**(1)**	–	**415**
	328	292	(3)	–	617
Income tax (expense) recovery	**(51)**	**(42)**	–	–	**(93)**
	(82)	(68)	1	–	(149)
Earnings (loss) for the period	**181**	**142**	**(1)**	–	**322**
	246	224	(2)	–	468
Adjusted earnings (loss)	**229**	**127**	**(1)**	–	**355**
	256	163	(2)	–	417
Total assets (2)	**10,674**	**7,468**	**31**	**(85)**	**18,088**
	10,516	7,451	66	(83)	17,950
Capital expenditures (3)	**450**	**345**	–	–	**795**
	367	316	–	–	683

(1) Includes total costs and expenses, excluding depreciation, amortization and impairment expense.
(2) 2022 comparatives are at December 31, 2022.
(3) Includes additions to property, plant and equipment, intangibles and $5 million and $12 million of interest capitalized during construction for the three and nine months ended September 30, 2023 (2022 - $4 million and $9 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings for the period after adjusting for:

- the timing of revenues and expenses for rate-regulated activities;
- dividends on equity preferred shares of the Company;
- one-time gains and losses;
- impairments; and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended September 30 is shown below.

2023 2022	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	**83**	**(9)**	**–**	**–**	**74**
	81	6	(1)	–	86
Rate-regulated activities	**(49)**	**15**	**–**	**–**	**(34)**
	(2)	12	–	–	10
IT Common Matters decision	**(4)**	**(1)**	**–**	**–**	**(5)**
	(3)	(1)	–	–	(4)
Dividends on equity preferred shares of the Company	**1**	**–**	**–**	**–**	**1**
	1	–	–	–	1
Earnings (loss) for the period	**31**	**5**	**–**	**–**	**36**
	77	17	(1)	–	93

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is shown below.

2023 2022	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	**229**	**127**	**(1)**	**–**	**355**
	256	163	(2)	–	417
Transition of managed IT services	**(1)**	**(1)**	**–**	**–**	**(2)**
	–	–	–	–	–
Rate-regulated activities	**(33)**	**20**	**–**	**–**	**(13)**
	19	68	–	–	87
IT Common Matters decision	**(9)**	**(6)**	**–**	**–**	**(15)**
	(7)	(4)	–	–	(11)
Impairment	**(8)**	**–**	**–**	**–**	**(8)**
	–	–	–	–	–
AUC enforcement proceeding	**–**	**–**	**–**	**–**	**–**
	(27)	–	–	–	(27)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**–**	**–**
	(3)	(5)	–	–	(8)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**–**	**–**
	5	–	–	–	5
Dividends on equity preferred shares of the Company	**3**	**2**	**–**	**–**	**5**
	3	2	–	–	5
Earnings (loss) for the period	**181**	**142**	**(1)**	**–**	**322**
	246	224	(2)	–	468

Transition of managed IT services

In the three months ended March 31, 2023, the Company recognized additional legal and other costs of $2 million (after-tax) related to the Wipro Ltd. master services agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the unaudited interim consolidated statements of earnings, provisions and other current liabilities in the unaudited interim consolidated balance sheets, and in changes in non-cash working capital (operating activities) in the unaudited interim consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Rate-regulated activities

ATCO Electric Transmission, ATCO Electric Distribution, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas and ATCO Pipelines are collectively referred to as the Utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

Rate-regulated accounting differs from IFRS in the following ways:

	Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1.	Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2.	Revenues to be billed in future periods	Deferred income taxes and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3.	Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4.	Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**24**	29	**90**	91
Revenues to be billed in future periods				
Deferred income taxes [(2)]	**(38)**	(18)	**(110)**	(63)
Impact of warmer temperatures [(3)]	**(3)**	(6)	**(10)**	(8)
Settlement of regulatory decisions and other items				
Distribution rate relief [(4)]	**4**	19	**13**	84
Other [(5)]	**(21)**	(14)	**4**	(17)
	(34)	10	**(13)**	87

(1) *Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.*

(2) *Income taxes are billed to customers when paid by the Company.*

(3) *ATCO Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal temperatures in the current period are refunded to or recovered from customers in future periods.*

(4) *In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three and nine months ended September 30, 2023, $4 million (after-tax) and $13 million (after-tax) (2022 - $19 million (after-tax) and $84 million (after-tax)) was billed to customers.*

(5) *In the three months ended September 30, 2023, ATCO Electric Transmission refunded customers approximately $17 million (after-tax) to settle deferral accounts related primarily to property taxes and direct assigned capital.*

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and nine months ended September 30, 2023 was $5 million (after-tax) and $15 million (after-tax) (2022 - $4 million (after-tax) and $11 million (after-tax)).

Impairment of electric utility assets

In the nine months ended September 30, 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The impairment was recognized in depreciation, amortization and impairment expense in the unaudited interim consolidated statements of earnings. As the impairment is not in the normal course of business, the charge was excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

For the nine months ended September 30, 2022, the Company recognized costs of $27 million (after-tax) related to the AUC enforcement proceeding. As this proceeding was not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the nine months ended September 30, 2022, the Company incurred $8 million (after-tax) related to amounts paid and accrued. As these costs were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and was a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of $5 million (after-tax). As the gain on sale was not in the normal course of business, it was excluded from adjusted earnings.

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended September 30 is shown below:

2023 **2022**	**Electricity** [(1)]	**Natural Gas** [(1)]	**Total**
Revenue Streams			
Rendering of Services			
Distribution services	**143**	**161**	**304**
	140	170	310
Transmission services	**129**	**87**	**216**
	176	82	258
Customer contributions	**7**	**5**	**12**
	8	6	14
Franchise fees	**9**	**40**	**49**
	9	46	55
Total rendering of services	**288**	**293**	**581**
	333	304	637
Other	**18**	**2**	**20**
	20	2	22
Total	**306**	**295**	**601**
	353	306	659

(1) For the three months ended September 30, 2023, Electricity and Natural Gas segments include $84 million of unbilled revenue (2022 - $100 million).

The disaggregation of revenues by each operating segment for the nine months ended September 30 is shown below:

2023 2022	Electricity (1)	Natural Gas (1)	Total
Revenue Streams			
Rendering of Services			
Distribution services	**454**	**650**	**1,104**
	462	722	1,184
Transmission services	**472**	**260**	**732**
	535	253	788
Customer contributions	**25**	**17**	**42**
	24	16	40
Franchise fees	**28**	**192**	**220**
	28	216	244
Total rendering of services	**979**	**1,119**	**2,098**
	1,049	1,207	2,256
Other	**43**	**7**	**50**
	50	8	58
Total	**1,022**	**1,126**	**2,148**
	1,099	1,215	2,314

(1) For the nine months ended September 30, 2023, Electricity and Natural Gas segments include $84 million of unbilled revenue (2022 - $100 million). At September 30, 2023, $84 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $100 million).

5. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost					
December 31, 2022	20,723	620	489	690	22,522
Additions	–	–	**712**	–	**712**
Transfers	**695**	**5**	**(714)**	**14**	–
Retirements and disposals	**(60)**	**(7)**	–	**(26)**	**(93)**
September 30, 2023	**21,358**	**618**	**487**	**678**	**23,141**
Accumulated depreciation and impairment					
December 31, 2022	5,451	182	–	356	5,989
Depreciation and impairment	**359**	**12**	–	**33**	**404**
Retirements and disposals	**(58)**	**(7)**	–	**(26)**	**(91)**
September 30, 2023	**5,752**	**187**	–	**363**	**6,302**
Net book value					
December 31, 2022	15,272	438	489	334	16,533
September 30, 2023	**15,606**	**431**	**487**	**315**	**16,839**

The additions to property, plant and equipment included $7 million of interest capitalized during construction for the nine months ended September 30, 2023 (2022 - $5 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of the Company, closed a transaction to transfer a 30 kilometer segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

6. LONG-TERM DEBT

On September 20, 2023, the Company issued $340 million of 5.088 per cent debentures maturing September 20, 2053 (2022 - On September 14, 2022, the Company issued $210 million of 4.773 per cent debentures maturing on September 14, 2052).

On May 1, 2023, the Company repaid $100 million of 9.4 per cent debentures (2022 - On April 1, 2022, the Company repaid $125 million of 9.92 per cent debentures).

7. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(dollars per share)	**2023**	**2022**	**2023**	**2022**
Equity preferred shares				
Cumulative Redeemable Preferred Shares				
4.60% Series 1	**0.2875**	0.2875	**0.8625**	0.8625
2.292% Series 4	**0.1433**	0.1433	**0.4298**	0.4298

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On September 12, 2023, the Company declared fourth quarter eligible dividends of $0.2875 per Series 1 Preferred Share and $0.14325 per Series 4 Preferred Share, payable on December 1, 2023 to share owners of record as of November 2, 2023.

8. CLASS A AND CLASS B SHARES

DIVIDENDS

The Company declared and paid cash dividends of $14.60 and $45.82 per Class A non-voting share (Class A share) and Class B common share (Class B share) during the three and nine months ended September 30, 2023 (2022 - $19.08 and $60.01 for the three and nine months ended September 30, 2022). The payment of dividends is at the discretion of the Board and depends on the financial condition of the Company and other factors.

9. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities are summarized below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Depreciation, amortization and impairment	**141**	135	**431**	409
Income tax expense	**12**	28	**93**	149
Contributions by customers for extensions to plant	**30**	37	**108**	136
Amortization of customer contributions	**(12)**	(14)	**(42)**	(40)
Net finance costs	**91**	88	**267**	268
Income taxes (paid) recovered	**(1)**	6	**(2)**	(2)
Other	**(11)**	4	**(12)**	(2)
	250	284	**843**	918

CASH POSITION

Cash position at September 30 is comprised of:

	2023	2022
Cash	**22**	148
Short-term advances to parent company	**–**	22
Cash and cash equivalents	**22**	170
Bank indebtedness	**(1)**	–
Short-term advances from parent company	**(9)**	–
Cash position	**12**	170

10. FINANCIAL INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash, accounts receivable and contract assets, trade accounts receivable from parent and affiliate companies, bank indebtedness, short-term advances from parent company, accounts payable and accrued liabilities, and accounts payable to parent and affiliate companies.	Assumed to approximate carrying value due to their short-term nature.
Long-term debt and long-term advances due from joint venture	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).

The fair values of the Company's financial instruments measured at amortized cost are as follows:

	September 30, 2023		December 31, 2022	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term advances due from joint venture [(1)]	**33**	**31**	33	30
Financial Liabilities				
Long-term debt	**8,724**	**7,427**	8,485	7,567

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - nil), on the consolidated balance sheets.